

AUGUST 2002

Insight

For
benefits
administrators

Board approves contribution changes to State Health Plan for 2003

At its August 13, 2002, meeting, the South Carolina Budget and Control Board (Board) approved an increase in enrollee contribution rates for all State Health Plan options, effective January 1, 2003. The Employee Insurance Program (EIP) recommended, and the Board approved, an increase of \$18.74 per month for subscribers with Enrollee Only or Enrollee/Children coverage and \$37.48 per month for subscribers with Enrollee/Spouse or Full Family coverage. Employer contributions will remain the same for 2003.

Because of rising health care expenditures in the State Health Plan and no increase in employer contributions to the program in 2003, an increase to the Plan, averaging \$24 per subscriber per month, is necessary to pay claims and maintain a zero reserve balance in the coming year. This impact could be accomplished in the form of an enrollee contribution increase, Plan of Benefits changes designed to achieve savings or some combination of the two.

In preparing this recommendation, EIP staff consulted with the South Carolina State Employees Association, the South Carolina Education Association and the South Carolina Association of State Retirees. Staff also conducted focus group meetings at four major participating employers (South Carolina Department of Mental Health, Lexington/Richland School District #5, Charleston County government and the State Ports Authority) and sent a survey on the topic of contribution increases and benefit changes to a random sample of Plan subscribers. Information measuring the effect of potential Plan changes on the increase in enrollee contributions was given to the associations and focus groups and then discussed. The conclusion was that the least objectionable way to achieve the needed \$24 per month is in the form of an increase in enrollee contributions with no change to the Plan of Benefits.

The structure of the proposed contribution increase (\$18.74 per month for Enrollee Only and Enrollee/Children levels and \$37.48 per month for Enrollee/Spouse and Full Family levels) recognizes the large number of households with two spouses as State Health Plan participants in which one is enrolled with Enrollee/Children coverage and the other with Enrollee Only coverage. This structure limits the impact on any household to \$37.48 per month, lessening the effect on these

**BENEFITS
WORK** A T
2002



Keynote speaker Mary LoVerde to help us “connect”

With budget cuts, hiring freezes and increasing work demands on all of us these days, it seemed a good idea to seek the advice of an expert on achieving balance in our personal and professional lives. **Mary LoVerde** fits the bill. She is president of Life Balance, Inc., a company founded and committed to helping others achieve greater fulfillment in work and family.

LoVerde is an international speaker, consultant and writer on the subject, presenting uplifting insights and innovative ideas for taking small steps toward a less stressful, more satisfying life. She has authored several books, among them, *I Used to Have a Handle on Life But It Broke*, *Touching Tomorrow* and *Stop Screaming at the Microwave!* LoVerde has also appeared on the Oprah Winfrey Show three times, 20/20 and ABC World News Tonight.

Continued on page 4

Continued on page 2

South Carolina
Budget and Control Board
Employee Insurance Program

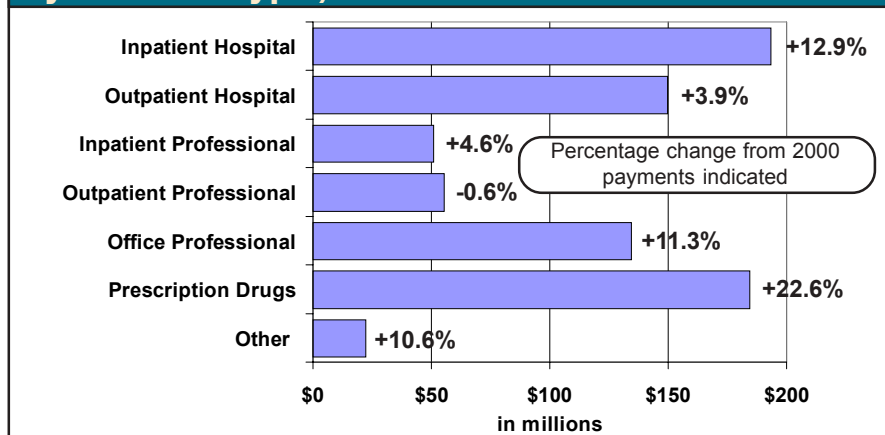


P.O. Box 11661
Columbia, South Carolina 29211
803-734-0678 • 1-888-260-9430
www.eip.state.sc.us

State Health Plan continues to experience claims payment increases

In 2001, the State Health Plan (SHP) experienced double-digit growth in claims payment, despite several cost-saving changes to the plan and a slowdown in the growth rate of people insured. Costs are continuing to rise, indicating increased use. Hospital payments comprised the largest share of Plan expenses last year—approximately 44 percent, with the greatest portion going toward inpatient surgery. The most significant increase in claims payment, however, was for prescription drugs, at an alarming 22.6 percent.

2001 SHP Claims Payment Growth by Service Type, Location



Source: June 2002 issue of Trends, available

on the EIP Web site at: www.eip.state.sc.us/publications/newsletters/index.html

Survey results support trend in increases

Health plan costs should continue to escalate at a dramatic rate in 2002, based on an annual, national survey conducted by The Segal Company, a benefits, compensation and human resources consulting firm. Prescription drug benefits continue to have the highest growth rates, expected to increase nearly 20 percent this year. Traditional medical plans, managed care plans and prescription drug programs will all likely see cost increases that are three to five times the rate of wage/salary increases and general inflation.

What's behind escalating medical plan costs?

- Direct-to-consumer promotion of drug therapy not only increases prescription drug use, but also increases the frequency of office visits to health care professionals.
- Nationwide efforts to detect and diagnose disease aggressively have raised the level of preventive and diagnostic activity.
- The U.S. workforce continues to age as the baby boom generation enters its 50s and 60s. In general, health needs increase as individuals age.

Source: The Segal Company's 2002 Segal Health Plan Cost Trend Survey, October 2001.

Keynote speaker Mary LoVerde

Continued from page 1

Her ideas come from personal experience. For 15 years, she was a busy mother with a demanding career, attempting to keep up, attempting to be a "superperson." She tried time management, prioritizing, delegating, and simplifying her life—none of which worked. She found herself overwhelmed; torn apart and disconnected from her family and from the person she was and wanted to be. She adopted a new life motto: "When you can't keep up, connect."

LoVerde's presentation at the "Benefits At Work" 2002 conference is entitled, "I Used To Have A Handle On Life But It Broke." In this fun and fast-paced program you will learn a new approach for keeping your life in balance with the Connection Solution. For all of us with overwhelming to-do lists that leave us exhausted, Mary will give us straightforward, works-in-real-life techniques for maintaining energy and keeping our balance, no matter what life throws our way. You may learn more about Mary LoVerde on her Web site: www.maryloverde.com.

Economic costs of obesity

Recent research on the rising prevalence of overweight and obesity in the United States underscores the link between obesity and increased health risks. Obese people generally have higher healthcare costs, face greater health risks, and are more likely to experience a disability. Put simply, the costs of obesity now exceed those of tobacco use. Together obesity, poor nutrition and/or physical inactivity:

- Result in total health related costs for obesity of \$117 billion annually, including \$61 billion in direct costs (treatment of related disease), plus \$56 billion in indirect costs (lost productivity due to disability, morbidity and mortality).
- Contribute to the \$33 billion in annual spending on “quick-fix” weight loss solutions by 65 million Americans.
- Comprise approximately 10 percent of Medicaid expenditures (Indiana Medicaid).
- Raise an individual’s healthcare costs by 36 percent and medication costs by 77 percent compared to the general population.

Source: June 13, 2002, “Issue Brief” from the National Governors Association Center for Best Practices

Don’t overlook your database survey!

Along with this issue of *Insight*, you also received the **2002 database survey**. Please complete and return this survey by September 6 to ensure your contact information is up-to-date so you may receive communications timely and efficiently.

Check It Out!

When you visit the Prevention Partners section of the Employee Insurance Program’s Web site, don’t forget to check out what’s available under “Coordinator Tools & Support.” There you’ll find program and event schedules, request forms for various Prevention Partners programs, back issues of the *Communiqué* newsletter and other useful program information. All for you!

To access the Coordinator Tools & Support section, simply enter the following password at the prompt screen: **4ahealthyu**. This section of the Prevention Partners Web site is still under construction, so if you have any comments or suggestions, we’d like to hear them! Just e-mail dburke@eip.state.sc.us or call Prevention Partners at 803-737-3820.

The State Health Plan **PREVENTION PARTNERS** announces the 2002 “Health at Work” conference

The State Health Plan Prevention Partners will host the annual “Health at Work” conference Friday, December 6, 2002, at the Riverbanks Zoo and Botanical Garden in Columbia. “Health at Work” is designed to enhance the skills and education of volunteer Prevention Partners coordinators and benefits administrators.

The conference provides up-to-date information on health and chronic disease issues and teaches new ways of implementing worksite wellness. A healthy and delicious lunch is also provided during this one-day conference.

Mark your calendars now to attend! More information will follow as conference plans get underway.



The State Health Plan **PREVENTION PARTNERS** Bookmark our Web site

1. Go to www.eip.state.sc.us.
2. Click on the Prevention Partners logo, located on the right side of your screen.
3. You are now on the Prevention Partners home page.
4. Now you can bookmark Prevention Partners as a favorite site for quick access to health information and upcoming events.

Premium changes

Continued from page 1

families in comparison to other methods to distribute the increase. In addition, individuals covered as spouses have generally higher per person claims costs than persons covered as enrollees, and children are substantially less expensive as a group than either enrollees or spouses. As such, passing more of the increase on to persons covering spouses and less to persons covering children is based on the relative claims expense of the different types of participants. Around 72 percent of Plan subscribers have either Enrollee Only or Enrollee/Children coverage, while 28 percent have either Enrollee/Spouse or Full Family coverage.

Even with this contribution increase, the overall employer share of the total contribution for State Health Plan coverage is at 76.2 percent for 2003—more than three-fourths of the total cost of coverage. The state's financial participation remains above both the average (72.5 percent) and the median (75.6 percent) employer share of the total contribution for state employee health plans in the South.

In short

The Employee Insurance Program (EIP) is preparing to send out two memos to all benefits administrators later in August. One of the memos requests updated salary information as of October 1, 2002, for all employees participating in the Supplemental Long Term Disability program who have had a salary change since October 1, 2001. All non-Comptroller General payroll groups must provide this information to EIP in the format described in the

memo. This information will be used to update our files for 2003.

The other memo announces EIP's plans to send out benefits statements in late September prior to annual enrollment in October. EIP will sort statements by department code upon request; instructions for submitting the required sort data in a text file format are outlined in the memo. This year, benefits administrators will be able to

access a report of the information printed on their employees' benefits statements online on the EIP Web site. Those without Internet access will be able to request a hard copy.

Be on the lookout for both of these memos later this month. Instructions, deadlines and contact information will be included.



COBRA corner

Update regarding sample COBRA letters

Many of you have already downloaded the sample COBRA letters on the EIP Web site at www.eip.state.sc.us/publications/forms/NOE.html. Both Microsoft® Word and Adobe® Acrobat® pdf versions are available.

Two minor changes to these letters were made July 22, and you may need to update your letters if you retrieved them prior to then. On both the 18-month and the 36-month qualifying event notification letters, look under the subheading, "Certificate of Health Insurance Portability," for the fourth sentence (last sentence of the first paragraph). The **number of days allowed for a break in coverage was changed to 62 days** from 63 days.

Please make this change accordingly, or you may retrieve the newly revised letters from the EIP Web site. Those of you who do not have Internet access should have received hard copies of the sample COBRA letters in the mail along with your July issue of *Insight*. The hard copies were sent to you *prior* to this change.

If you have any questions, e-mail Susan Adams at sadams@eip.state.sc.us or call her at 803-734-2516 (toll-free at 1-888-260-9430). We appreciate your assistance in updating your letters and apologize for the inconvenience.

Insight

is produced monthly by
the South Carolina
Budget and Control Board
Employee Insurance Program

**South Carolina Budget
and Control Board:**

**Jim Hodges, Chairman
Governor**

**Grady L. Patterson, Jr.
State Treasurer**

**James A. Lander
Comptroller General**

**Hugh K. Leatherman, Sr.
Chairman, Senate Finance
Committee**

**Robert W. Harrell, Jr.
Chairman, House Ways
& Means Committee**

**Frank Fusco
Executive Director**